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July 11, 2002

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, Massachusetts 02210

Re: Boston Edison Company, D.T.E. 01-78

Dear Secretary Cottrell:

In accordance with the terms of the Joint Motion to Defer Evidentiary Hearings, as approved by the Hearing Officer on June 13, 2002, Boston Edison Company d/b/a NSTAR Electric ("NSTAR" or the "Company"), with the assent of the Attorney General of the Commonwealth (the "Attorney General") (together, the "Parties"), hereby updates the Department of Telecommunications and Energy (the "Department") on the status of the ongoing settlement negotiations concerning the above-referenced matter. The Company also provides the Department with an assented to proposed procedural schedule to be implemented in the event that the Parties are unable to resolve all outstanding issues in this docket.

Since December 3, 2001, when Boston Edison filed its preliminary reconciliation of 2001 Transition, Transmission, Standard Offer and Default Service costs and revenues for effect January 1, 2002,¹ the Company has responded to approximately 58 information requests that have been issued by the Department and the Attorney General. In addition to responding to discovery requests, the Company and the Attorney General have been actively involved in settlement discussions to resolve all the issues presented in this docket. As a result of those negotiations, the Parties are pleased to report that a Settlement of the issues in this matter remains highly likely and the Parties intend to submit a Settlement Agreement no later than August 24, 2002.

In the unlikely event that the Parties are unable to resolve all outstanding issues presented in this docket, the Company and the Attorney General propose that the

¹ On February 8, 2002, the Company submitted its actual costs through December 31, 2001 to calculate the final reconciliation.

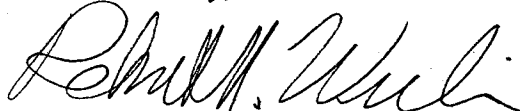
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following procedural schedule be implemented:

September 11-12, 2002: Evidentiary Hearings²
September 26, 2002: Attorney General Initial Brief
October 10, 2002: Company Initial Brief
October 17, 2002: Attorney General Reply Letter
October 24, 2002: Company Reply Letter

Should you have any questions concerning the status of the ongoing settlement discussions between the Company and the Attorney General or the proposed procedural schedule, please do not hesitate to contact me or Judith Laster at 617-727-2200, extension 3431. Thank you for your attention to this matter.

Sincerely,



Robert N. Werlin

cc: William H. Stevens, Hearing Officer
Service List

²

Although the Parties originally indicated hearings could be held during the week of August 26, 2002, such a schedule would conflict with the procedural schedule agreed upon in D.T.E. 02-24 and D.T.E. 02-25. In view of this scheduling conflict, the Parties suggest that if hearings are necessary in this proceeding, that they take place on September 11 and 12.